

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Hesperia Community Library	County Newaygo
Fiscal Year End 6-30-07	Opinion Date 12-18-07	Date Audit Report Submitted to State 12-27-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

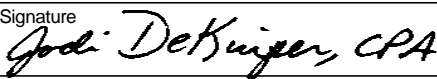
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	
Other (Describe)		<input checked="" type="checkbox"/>	Internal Control
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 W. Main St.		City Fremont	State Zip MI 49412
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	License Number 1101021180

**HESPERIA COMMUNITY LIBRARY
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Individuals	ii
Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 4
Combined Government-Wide and Fund Financial Statements:	
Governmental Funds Balance Sheet/Statement of Net Assets	5
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities	6
Notes to the Financial Statements	7 - 14
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	15
Budgetary Comparison Schedule - Debt Service Fund	16

HESPERIA COMMUNITY LIBRARY

Board Members

<u>Appointed Official</u>	<u>Position</u>
Scott DeBrot	President
Rebecca Gleason	Vice-President
Lynn Rumsey	Treasurer
Sara Kraley	Secretary
Dorothy Backus	Trustee
Sandy Sidock	Trustee
Mary Sturtevant	Trustee
Starr Gleason	Trustee

Administration

Elizabeth Nordin	Library Director
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H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Library Board
Hesperia Community Library
Newaygo County
Hesperia, MI 49421

Independent Auditor's Report

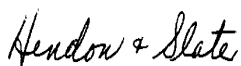
We have audited the accompanying financial statements of the Hesperia Community Library as of and for the year ended June 30, 2007 as listed in the accompanying table of contents. These financial statements are the responsibility of the Library's board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hesperia Community Library as of June 30, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Hesperia Community Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis included in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Hesperia Community Library. We did not examine this data and, accordingly, do not express an opinion thereon.



Hendon & Slate, P.C.
Certified Public Accountants
December 18, 2007

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HESPERIA COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2007

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- ? Notes A through J of the financial statements include information on the Library's General Fund under the modified accrual method. These notes focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- ? Note K of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- ?
Note K provides both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.
- ? The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below contains key financial information in a condensed format:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Current Assets	\$ 388,434	\$ 412,012
Noncurrent Assets	<u>1,431,464</u>	<u>1,449,561</u>
Total Assets	1,819,898	1,861,573
Long-Term Liabilities	1,225,000	1,285,000
Other Liabilities	<u>86,170</u>	<u>76,280</u>
Total Liabilities	<u>1,311,170</u>	<u>1,361,280</u>

Management's Discussion and Analysis (Continued)

Net Assets		
Invested in Capital Assets-Net of Debt	\$ 146,464	\$ 109,561
Restricted for Capital Projects	-	39,402
Restricted for Debt Service	25,300	36,069
Unrestricted	<u>336,964</u>	<u>315,261</u>
Total Net Assets	<u>\$ 508,728</u>	<u>\$ 500,293</u>
Revenue		
Property Taxes	\$ 199,954	\$ 196,391
Grants	16,192	25,746
Other	<u>65,148</u>	<u>70,876</u>
Total Revenues	281,564	293,013
Expenses		
Library Services	<u>273,130</u>	<u>297,654</u>
Change in Net Assets	<u>\$ 8,434</u>	<u>\$ (4,641)</u>

The Library as a Whole

- ? The Library's net assets increased by \$8,435 in 2007.
- ? The Library's primary source of revenue is property taxes, which represent 71% & 67% of total revenues for 2007 and 2006 respectively. The library also continues to rely on penal fines, which are relatively unpredictable and are received after the budget is adopted, to provide operating income. Penal fines amounted to 15% of total revenues for years ended June 30, 2007 and 2006 respectively.
- ? Salaries and fringe benefits are a significant expense of the Library, representing 25% of total expenses for 2007 compared to 24% in 2006.
- ? Depreciation expense for the current year represented 33% of the Library's total expenses for 2007 compared to 31% for 2006.
- ? The Library Board is in the process of conducting a community-wide survey. The excess funds that have accumulated as "undesignated" will be budgeted in future years to meet needs and desires that result from the survey report. Adding hours of operation is a priority. Reduced state funding will have an impact on the sustainability of any program or hours that are added.

The Library Board has been able to support services and programs since the reduction of hours in 2005. There was a surplus this year but with so much uncertainty in state funding and increasing costs of the Cooperative services, the Board is moving slowly to make any dramatic changes. The Cooperative services are essential to provide residents with adequate access to information and library resources.

- ? The Library Board continues to maintain a fund for repairs and maintenance to the library facility. While there have been some disbursements from the fund, it continues to be mainly for major needs as the building ages.

Management's Discussion and Analysis (Continued)

- ? The Library Board increased the wages of hourly employees to meet the new minimum wage requirements of the State of Michigan.
- ? The Construction Account that held funds for the building project was closed with the final expenditure of funds.
- ? There was one small deposit for \$52.50 that was not recorded properly in January, 2007. A change has been made in the depositing of cash collected from patrons so that it is recorded by the Library Director rather than going directly to the Treasurer. After the deposit is made then the Treasurer presents the Library Director with a copy of the receipt and the deposit number and date are added to the Library Director's record. This change in Internal Controls will prevent this from happening again.

Changes in Tax Base

The taxable value of the property in the Library district has increased:

2003	\$ 103,422,522
2004	\$ 111,404,526
2005	\$ 118,210,748

The Headlee Amendment keeps the library district from benefiting from the entire increase in taxable value. The original .75 approved by the voters in 2002 was reduced each year. In 2006, the millage was renewed and will expire in 2009.

Library's Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in Grants and Penal Fines and revenues. Also, Capital Outlay and Services and Charges expenditures.

Capital Asset and Debt Administration

At the end of 2007, the Library had \$2,099,929 invested in land, buildings, furniture and equipment, and books and materials. The Library added \$83,852 in new equipment, building improvements and collection items during the current year. Of this total, \$24,130 was new equipment & furnishings consisting of computers & accessories, and various other small items. Building improvements amounted to \$4,319 and the remaining \$55,403 added consisted of new collection items including books, various audio/visual materials and additions to the music collection.

The Library's bonded indebtedness totaled \$1,285,000 at June 30, 2007 and \$1,340,000 at June 30, 2006. No debt was issued during the fiscal year.

Economic Factors, Next Years Budget and Rates

The Library's budget for 2007-2008 will be similar to the 2006-2007 final amended budget with the following exception. The Library does not budget for grants until the known award is received, at which time the budget is amended for the grant and related expenditures (typically capital outlay).

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to demonstrate the Library's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Librarian of the Hesperia Community Library, 80 S. Division Street, Hesperia, MI 49421.

HESPERIA COMMUNITY LIBRARY
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2007

	General Fund	Debt Service Fund	Non-Major Fund	Total	Adjustments*	Statement of Activities
ASSETS						
Cash	\$ 326,344	\$ 23,002	\$ -	\$ 349,346	\$ -	\$ 349,346
Due from Other Funds	-	2,298	-	2,298	(2,298)	-
Due from Other Governments	39,088	-	-	39,088	-	39,088
Land	-	-	-	-	120,000	120,000
Capital Assets, Net of Accumulated Depreciation	-	-	-	-	1,311,464	1,311,464
Total Assets	<u>\$ 365,432</u>	<u>\$ 25,300</u>	<u>\$ -</u>	<u>\$ 390,732</u>	<u>\$ 1,429,166</u>	<u>\$ 1,819,898</u>
LIABILITIES & FUND EQUITY						
Liabilities						
Accounts Payable & Accrued Liabilities	\$ 4,640	\$ -	\$ -	\$ 4,640	\$ -	\$ 4,640
Due to Other Funds	2,298	-	-	2,298	(2,298)	-
Bonds Payable, Due Within 1 Year	-	-	-	-	60,000	60,000
Deferred Revenue	21,530	-	-	21,530	-	21,530
Long-Term Liabilities						
Bonds Payable, Due After 1 Year	-	-	-	-	1,225,000	1,225,000
Total Liabilities	28,468	-	-	28,468	1,282,702	1,311,170
Fund Balance/Net Assets						
Fund Balances						
Unreserved, Undesignated	110,609	-	-	110,609	(110,609)	
Unreserved, Designated	226,355	-	-	226,355	(226,355)	
Unreserved, Reported in Capital Projects	-	-	-	-	-	
Unreserved, Reported in Debt Service	-	25,300	-	25,300	(25,300)	
Total Fund Balances	336,964	25,300	-	362,264	(362,264)	
Total Liabilities and Fund Balance	<u>\$ 365,432</u>	<u>\$ 25,300</u>	<u>\$ -</u>	<u>\$ 390,732</u>	920,438	
Net Assets						
Invested in Capital Assets - Net of Related Debt					146,464	146,464
Restricted for Capital Projects					-	-
Restricted for Debt Service					25,300	25,300
Unrestricted					336,964	336,964
Total Net Assets					<u>\$ 508,728</u>	<u>\$ 508,728</u>

* Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

HESPERIA COMMUNITY LIBRARY

Statement of Governmental Revenues, Expenditures and Changes in Fund Balance/Statement of Activities June 30, 2007

	General Fund	Debt Service Fund	Non-Major Fund	Total	Adjustments*	Statement of Activities
REVENUE						
Local Sources						
Property Taxes	\$ 94,802	\$ 105,152	\$ -	\$ 199,954	\$ -	\$ 199,954
Sales	749	-	-	749	-	749
Grants	16,192	-	-	16,192	-	16,192
Penal Fines	39,088	-	-	39,088	-	39,088
Charges for Services	3,930	-	-	3,930	-	3,930
Interest	10,247	613	268	11,128	-	11,128
Donations & Memorials	3,963	-	-	3,963	-	3,963
Other	1,916	-	-	1,916	-	1,916
Total Local Sources	170,887	105,765	268	276,920	-	276,920
State Sources - State Aid	4,644	-	-	4,644	-	4,644
Total Revenue	175,531	105,765	268	281,564	-	281,564
EXPENDITURES						
Personnel Services	79,407	-	-	79,407	-	79,407
Capital Outlay	18,483	-	38,880	57,363	(83,852)	(26,489)
Consumable Supplies	4,595	-	-	4,595	-	4,595
Services & Charges	49,772	-	-	49,772	-	49,772
Miscellaneous	1,496	365	790	2,651	-	2,651
Depreciation	-	-	-	-	101,949	101,949
Debt Retirement	-	116,245	-	116,245	(55,000)	61,245
Total Expenditures	153,753	116,610	39,670	310,033	(36,903)	273,130
Excess Revenue Over (Under) Expenditures	21,778	(10,845)	(39,402)	(28,469)	36,903	8,434
Other Financial Sources						
Operating Transfers-In	-	75	-	-	-	75
Operating Transfers-Out	(75)	-	-	-	-	(75)
Total Other Financial Sources	(75)	75	-	-	-	-

Excess Revenue & Other Financing Sources						
Over (Under) Expenditures & Other Uses	21,703	(10,770)	(39,402)	(28,469)	36,903	8,434
Fund Balance/Net Assets - July 1, 2006	<u>315,261</u>	<u>36,070</u>	<u>39,402</u>	<u>390,733</u>	<u>109,561</u>	<u>500,294</u>
Fund Balance/Net Assets - June 30, 2007	<u>\$ 336,964</u>	<u>\$ 25,300</u>	<u>\$ -</u>	<u>362,264</u>	<u>\$ 146,464</u>	<u>\$ 508,728</u>

* Notes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements or an integral part of this statement.

HESPERIA COMMUNITY LIBRARY

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hesperia Community Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

1. REPORTING ENTITY

The purpose of the Hesperia Community Library is to provide library services to Newfield Township, Greenwood Township, Denver Township and the part of Beaver Township that is in the Hesperia Community School District. The Library's Board consists of eight appointed board

The financial statements include all activities of the Library. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations within the Library, which its appointed officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Library's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Also, using the same criteria above, the Library's financial statements include the accounts of all Library operations.

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major and non-major funds).

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts-investing in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The effect of interfund activity has been eliminated from the government-wide financial statements. Also, there are no fiduciary funds included in the government-wide statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this

purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are record only when payment is due.

Property taxes, State Shared Revenue, Penal Fines and interest are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues arise when resources are received by the Library before it has met all of the eligibility requirements imposed by the grantor or provider.

The Library reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the library. Revenues are derived primarily from intergovernmental activities.

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

In addition, the Library reports the following non-major fund:

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary or trust funds.

3. CAPITAL ASSETS

Capital assets are defined by the Library as assets with an initial cost of more than \$25 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance that do not add to the value of the asset or materially extend assets lives are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Library Books and Materials	3 - 10 Years

4. PROPERTY TAXES

Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year. The Townships and Village bill and collect the property taxes.

5. CASH AND EQUIVALENTS

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments, if any, with original maturities of three months or less from date of acquisition.

Notes to the Financial Statements (Continued)

6. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

8. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. ~~FUND EQUITY~~ In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2007, the Debt Service Fund did not adopt a budget and the Library did not incur material over expenditures in the general fund.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budget for this budgetary fund was adopted at the line item level.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations

Notes to the Financial Statements (Continued)

of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library's funds are held at Shelby State Bank and Fifth Third Bank and are carried at cost. At June 30, 2007, they consisted of the following:

	Carrying Value	Market Value
General Fund		
Cash on Hand	\$ 50	\$ -
Money Market - Shelby State Bank	312,794	313,083
CD's - Shelby State Bank	13,500	13,500
Total General Fund	326,344	326,583
Debt Service Fund		
Money Market - Shelby State Bank	23,002	23,002
Total Deposits	\$ 349,346	\$ 349,585
FDIC Insured		\$ 13,500
Money Market Funds		336,085
Uninsured		-
Total Deposits		\$ 349,585

Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investment in the funds comply with the investment authority noted above.

The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE D DUE FROM OTHER GOVERNMENTAL UNITS / DEFERRED REVENUE

Due from Other Governmental Units

Receivables at June 30, 2007 consisted of the following:

Newaygo County - Penal Fines	\$ 10,432
Oceana County - Penal Fines	28,656
Total Due from Other Governments	\$ 39,088

Notes to the Financial Statements (Continued)

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants	\$ -	\$ 21,530

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	<u>7/1/2006 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2007 Balance</u>
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Capital Assets Being Depreciated:				
Library Collection	350,010	55,403	(32,550)	372,863
Buildings & Improvements	1,316,599	4,319	-	1,320,918
Equipment & Furniture	219,642	11,353	-	230,995
Computers	42,376	12,777	-	55,153
Total at Historical Cost	1,928,627	83,852	(32,550)	1,979,929
Less Accumulated Depreciation:				
Library Collection	(277,218)	(37,670)	32,550	(282,338)
Buildings & Improvements	(167,346)	(39,485)	-	(206,831)
Equipment & Furniture	(114,943)	(21,264)	-	(136,207)
Computers	(39,559)	(3,530)	-	(43,089)
Total Accumulated Deprec.	(599,066)	(101,949)	32,550	(668,465)
Net Capital Assets				
Being Depreciated	1,329,561	(18,097)	-	1,311,464
Total Governmental Activities				
Capital Assets-Net of Deprec.	<u>\$ 1,449,561</u>	<u>\$ (18,097)</u>	<u>\$ -</u>	<u>\$ 1,431,464</u>

Depreciation expense for the year ended June 30, 2007 is \$101,949

Notes to the Financial Statements (Continued)

NOTE F CHANGES IN LONG-TERM DEBT

A summary of the Library's long-term debt outstanding at June 30, 2007 is as follows:

	Balance 7/1/2006	Net Borrowings (Payments)	Balance 6/30/2007	Amounts Due Within One Year
Bonds Payable - Due in annual installments of \$30,000 to \$120,000 through May 2021; interest payable semiannually at 3.0% to 4.75%	\$ 1,340,000	\$ (55,000)	\$ 1,285,000	\$ 60,000

Debt Service Requirements

The annual requirements to amortized all debt outstanding at June 30, 2007 including both principal and interest are as follows:

Year Ended June 30	Bonds Payable		
	Total	Principal	Interest
2008	119,210	60,000	59,210
2009	121,870	65,000	56,870
2010	124,270	70,000	54,270
2011	126,400	75,000	51,400
2012-2016	498,214	450,000	48,214
2017-2021	799,649	565,000	234,649
Total	<u>\$ 1,789,613</u>	<u>\$ 1,285,000</u>	<u>\$ 504,613</u>

Interest expense of the Library for the year ended June 30, 2007 amounted to \$61,245.

NOTE G ENDOWMENT FUND

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the Hesperia Community Library.

	<u>6/30/2007</u>	<u>6/30/2006</u>
Marian Rumsey Fund	\$ 43,898	\$ 37,336
Branstrom Fund	131,058	107,519
Hesperia Community Library Fund	589,176	76,502
	<u>\$ 764,132</u>	<u>\$ 221,357</u>

The Hesperia Community Library had an FACF match of \$418,665 for the Building.

NOTE H DESIGNATED FUND BALANCE

As of June 30, 2007 the board has designated \$226,335 for ongoing repair and maintenance needs for the library facilities.

Notes to the Financial Statements (Continued)

NOTE I INTERFUND BALANCES & TRANSFERS

Interfund Balances

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 2,298	\$ -
Debt Service Fund	-	2,298
Total	<u>\$ 2,298</u>	<u>\$ 2,298</u>

Interfund balances are due to property taxes from prior years.

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 75
Debt Service Fund	75	0
Capital Fund	-	0
Total Interfund Transfers	<u>\$ 75</u>	<u>\$ 75</u>

NOTE J RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Library maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE K RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and the statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis \$ 362,264

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Assets	2,099,929	
Governmental Accumulated Depreciation	<u>(668,465)</u>	1,431,464

Notes to the Financial Statements (Continued)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the governmental statement of activities:

Bonds Payable		(1,285,000)
Amounts Due From/To Other Funds Within Governmental Funds:		
Due From Other Funds	(2,298)	
Due to Other Funds	2,298	-
		<hr/>
Net Assets of General Fund - Full Accrual Basis		\$ 508,728
		<hr/>
 Net Change in Fund Balances - Modified Accrual Basis		 \$ (28,469)
Amounts reported in the statement of activities are different because:		
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Library Books and Materials	55,403	
Capital Outlay	28,449	
Depreciation	(101,949)	(18,097)
		<hr/>
Repayments of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)		55,000
		<hr/>
Change in Net Assets of General Fund - Full Accrual Basis		\$ 8,434
		<hr/>

HESPERIA COMMUNITY LIBRARY

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

REVENUE	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Local Sources				
Property Taxes	\$ 94,000	\$ 94,000	\$ 94,802	\$ 802
Sales	1,000	1,000	749	(251)
Grants	6,118	26,671	16,192	(10,479)
Penal Fines	30,000	38,570	39,088	518
Charges for Services	2,000	2,000	3,930	1,930
Interest	5,000	5,000	10,247	5,247
Donations & Memorials	1,000	1,000	3,963	2,963
Other	1,200	1,200	1,916	716
Total Local Sources	140,318	169,441	170,887	1,446
State Sources - State Aid	4,200	4,200	4,644	444
Total Revenue	144,518	173,641	175,531	1,890
EXPENDITURES				
Personnel Services	82,200	82,544	79,407	3,137
Capital Outlay	47,269	65,167	18,483	46,684
Consumable Supplies	3,997	4,647	4,595	52
Services & Charges	49,911	58,642	49,772	8,870
Miscellaneous	27,398	28,898	1,496	27,402
Transfers (Out)	-	-	75	(75)
Total Expenditures	210,775	239,898	153,828	86,070
Excess Revenue Over (Under) Expenditures	(66,257)	(66,257)	21,703	87,960
Fund Balance - July 1, 2006	66,257	66,257	315,261	249,004
Fund Balance - June 30, 2007	\$ -	\$ -	\$ 336,964	\$ 336,964

HESPERIA COMMUNITY LIBRARY

Required Supplementary Information
Budgetary Comparison Schedule - Debt Service Fund
For the Year Ended June 30, 2007

REVENUE	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Local Sources				
Property Taxes	\$ -	\$ -	\$ 105,152	\$ 105,152
Interest	-	-	613	613
Transfers (In)	-	-	75	75
Total Revenue	-	-	105,840	105,840
EXPENDITURES				
Debt Service	-	-	116,245	(116,245)
Miscellaneous	-	-	365	(365)
Total Expenditures	-	-	116,610	(116,610)
Excess Revenue Over (Under) Expenditures	-	-	(10,770)	(10,770)
Fund Balance - July 1, 2006	-	-	36,070	36,070
Fund Balance - June 30, 2007	\$ -	\$ -	\$ 25,300	\$ 25,300

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

December 18, 2007

Library Board
Hesperia Community Library
Hesperia, MI 49421

Dear Board Members:

We would like to thank you for the opportunity to provide our auditing services. It was again a pleasure working with the members of Hesperia Community Library during the audit engagement.

A recent change in auditing standards (SAS 112 – *Communicating Internal Control Related Matters Identified in an Audit*) now requires that we provide a new letter, which we have included, that focuses on the internal controls over financial reporting.

In addition to the letter referenced above, we also reviewed the Library's accounting procedures as of and for the year ended June 30, 2007, and offer the following comments and recommendations:

BOOKS AND RECORDS

As always, the Library's books and records are maintained in excellent condition. Your officials are an example for others to follow in this area.

CURRENT YEAR RECOMMENDATIONS

Budgeting -We noted that the Library improved the budgeting process for the year ended June 30, 2007. The Director did a great job of reflecting the library as a whole as well as providing the detail needed for the Board to make informed decisions regarding grants and donations

The Board did not adopt a budget for the Capital Projects Fund or the Debt Service Fund. The Board needs to approve a budget for these funds in addition to the General Fund. We recommend that the Board prepare and amend (as necessary) these budgets at the same time as the General fund budget.

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Fax (231)-798-8409

Fremont
711 West Main Street
Fremont, MI 49412
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Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
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Fax (231) 873-7033

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Page 2
December 18, 2007

Thank you for the courtesy extended us during our audit. We will be happy to assist with any of our current recommendations and we look forward to continuing to serve Hesperia Community Library.

Respectfully submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA
Hendon & Slate, P.C.

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members,
Hesperia Community Library
Oceana County,
Hesperia, MI

In planning and performing our audit of the financial statements of Hesperia Community Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hesperia Community Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Hesperia Community Library.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

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Anti-Fraud Program

The Board has not adopted an Anti-Fraud Program (such as the attached standards of ethics and conduct) as required by SAS 99.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Board currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

Approve Bank Reconciliations

Although we were advised that all bank reconciliations are approved by a responsible person, no indication of such review was evident on the reconciliations selected for review. We recommend that the reconciliations be signed as an indication of approval. Doing so would take little additional time and might even prevent time from being wasted by inadvertent review of reconciliations that had already been reviewed. We also recommend that the reconciliations be signed and dated by person preparing them. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

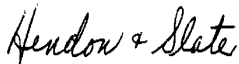
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Controls over Financial Statement Preparation

Hesperia Community Library's internal controls would not prevent or detect a material misstatement in the financial statements.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Hendon & Slate, P.C.
Certified Public Accountants
December 18, 2007